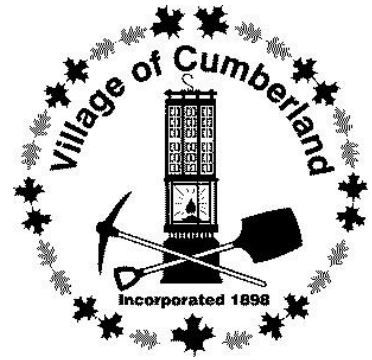


# COUNCIL REPORT



REPORT DATE: 11/14/2021  
MEETING DATE: 11/22/2021

File No. 1700

TO: Mayor and Councillors  
FROM: Michelle Mason, Chief Financial Officer/Deputy CAO  
SUBJECT: 2022-2026 Financial plan, 2022 Utility and Frontage Tax Bylaws

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## RECOMMENDATION

- i. THAT Council receive the 2022-2026 Financial plan, 2022 Utility and Frontage Tax Bylaws report.
- ii. THAT Council give first reading of 2022-2026 Financial Plan Bylaw No. 1152, 2021.
- iii. THAT Council give first, second and third reading of:
  - a. Water Frontage Tax Amendment Bylaw No. 1159, 2021
  - b. Sewer Frontage Tax Amendment Bylaw No. 1156, 2021
  - c. Storm Frontage Tax Amendment Bylaw No. 1158, 2021
- iv. THAT Council give first, second and third reading of:
  - a. Water Rates Amendment Bylaw No. 1160, 2021
  - b. Sanitary Sewer Rates Amendment Bylaw No. 1155, 2021
  - c. Solid Waste Rates Amendment Bylaw No. 1157, 2021

## PURPOSE

The purpose of this report is to introduce the Financial Plan Bylaw for consideration of first reading and the Frontage Tax and Utility Rates Amendment bylaws for consideration of the first three readings.

## PREVIOUS COUNCIL DIRECTION

Date	Resolution
November 8, 2021	THAT Council direct staff to prepare the public meeting package and the Financial Plan bylaw for the November 15, 2021 Village Hall/Budget Open House.

## BACKGROUND

### Process

The 2022-2026 Financial Plan Bylaw includes all Council approved expenditures, transfers and revenues required for current service levels and strategic priority goals. The Frontage Tax Amendment Bylaws includes parcel taxes that will generate the revenues required in the plan for replacement of underground utility assets. The Utility Rates Amendment Bylaw includes utility fees that will generate the revenues required in the plan to operate the utility services.

Council added budget requests during the Committee of the Whole meeting on October 26, 2021. Those changes were confirmed at the November 8, 2021 meeting and are included in the attached bylaws for consideration. Additional resolutions made during the November 8, 2021 meeting are also included in the attached bylaws for consideration.

The proposed Plan was provided to the public for further comment at the Village Hall meeting on November 15, 2021 and written comments were accepted up to the end of day November 16, 2021 in order to be included in this report.

The Village has received one written email with questions prior to the writing of this report. There were questions and comments provided during the open house. A summary of the Village Hall and written comments follows:

Questions at the Village Hall budget open house meeting:

- How do you claim the homeowner grant
- Are there statistics on how many homeowner grants claimed
- Enforcement of homeowner grant program
  - Staff clarification regarding home owner grant questions:
    - The Village's website clarifies information about home owner grants including how to claim the grant at <https://cumberland.ca/property-taxes/>
    - The province administers and enforces the regulations surrounding the home owner program
    - 1305 (933 under 65 and 372 over 65) home owner grants have been claimed for the 2021 tax year to date
    - All home owner grant applications need to be applied for every year depending on eligibility – Village staff at [finance.voc@cumberland.ca](mailto:finance.voc@cumberland.ca) can answer questions about home owner grants as well
- How often do customers need to pay utility fees
  - Village utility bills are levied quarterly with a deadline within 30 days of the bill date
- Short term AirBnB commercial/zoning change queries
  - There will be a short term rental report coming to Council
  - Property assessment classes are determined by BC Assessment based on actual use not zoning and the number of rental units in a property also determines where it is a commercial property or a residential property class
- Feedback was given: “Encourage homeowners to improve homes so they can be rented out; provide heating incentives”
  - Home efficiency rebates and being aware of rebates, Fortis BC
- How extra taxes from increased assessments are used

- Increased assessment values do not increase Village tax revenues, it only impacts the tax rate per \$1000 of assessment values – the only tax revenue increases is the Council approved increase through the financial plan.
  - The Village does receive extra taxes from new growth and these taxes are currently being saved to pay for increased policing costs when the Village population hits 5000 people
- Feedback was given regarding the importance of mental health and outreach services
- Events and cultural services funds
  - This service funds Village events and Council’s community grant program as well as museum facility costs
- To what extent did climate change feed into budget?
  - Asset Management policy to drive that direction and how it’s developed into future budgets with climate change adaptation being in progress for the Village
  - How climate change is integrated in the land development planning and all Village activities
- Feedback was given regarding Street lights solar panel amber clean energy

Answers to the one email with written questions to Council are summarized as follows:

- the cost of development approval modernization is \$229k and is fully funded by a provincial grant and will provide a review of the planning processes with modernization recommendations that will be implemented with these funds.
- The \$20k budget for the planning consultant is in place to assist with the significant growth in the Village and the planning department capacity implications from this growth.
- The Economic Development Officer is not responsible for the distribution/allocation of Restart Funding, but has taken the lead in providing the required reporting to Council on behalf of staff. All initiatives put forward for Restart Funding have been identified, managed and/or completed by different Village staff/departments. Likewise, all Restart Funding requests/allocation have been reviewed and approved by Council.
- If the assessment values increase significantly, then this will reduce the tax rate per \$1000 of assessments, it will not increase tax revenues over and above the approved increase in the plan.
- Host amenity funds has been spent on the Cemetery Master Plan projects in the past. Staff evaluate cemetery projects with other service level requirements each year in the financial planning process and if projects are brought forward in the plan, quite often host amenity funds would be the funding source for these projects.
- The purpose of Province’s Restart Funding for municipalities is to support local governments as they deal with increased operating costs and lower revenue due to COVID-19. It is also to ensure local governments can continue to deliver the services people depend on in their communities throughout the pandemic and the post-COVID recovery period. Eligible costs are response and recovery costs related to COVID-19 and include, but are not limited to, the following:
  - facility reopening and operating costs;

- emergency planning and response costs;
  - protective services and bylaw enforcement costs;
  - programs for vulnerable populations;
  - computer and other electronic technology costs;
  - budgeted revenues that have not been collected.
  - As part of allocating the Village's Restart Funding, Council has provided assistance to a number of community non-for-profits including the Cumberland Business Association. In 2021, the Cumberland Business Association (CBA) received \$10,000 in Restart Funding from the Village and will be eligible to apply for further Restart support via the Village's 2022 Restart Grant program.
- Feedback was given regarding the need for increased benches throughout the Village to provide walkability into the downtown core from areas outside of this core

All comments received at any time regarding the financial plan will be added to the Council weekly update for review. Staff is recommending that Council give first reading to the 2022-2026 Financial Plan Bylaw and the first three readings to the Frontage Tax and Utility Rates Amendment bylaws. The financial plan bylaw is currently scheduled to come back to Council December 13, 2021 and January 10, 2022 for additional readings and final adoption. Council may still make changes to the financial plan bylaw at the December 13, 2021 meeting before third reading. The Frontage Tax and Utility Rates Amendment bylaws are currently scheduled to come back to Council December 13, 2021 for adoption. The financial plan and tax rate bylaws must be passed before May 15, 2022 to meet statutory deadlines. The utility rate bylaws must be passed before January 1, 2022 to be in effect for the first quarter of 2022. The scheduled reading dates are all within these timeframes.

If Council wishes to make any changes to the attached bylaws, staff recommends the changes be made at this meeting. The following process would be recommended if Council wishes to changes the bylaws that are presented with this report:

- Provide changes to the bylaw in a resolution from the bylaws presented
- Give first reading of the financial plan bylaw as amended and the financial plan bylaw will come back to Council as read a first time for further consideration at the December 13<sup>th</sup> meeting with the changes included
- If Council wishes to change the frontage tax and utility rates bylaws from the bylaws presented, staff recommend that the changes be given in a resolution then Council give the first three readings of the bylaws as amended in order to move the process forward for adoption prior to January 2022.

If Council wishes to request further information to come back to Council prior to consideration of the bylaws, consideration of the bylaws by Council will be meetings that would be later than previously scheduled or Council may schedule special meetings for further consideration for new information requests.

## **Financial Plan Bylaw Policies**

The Financial Plan Bylaw policies outline how Council wants to use the various funding sources that fund the budgeted expenditures, the distribution of property taxes among the property classes and the use of permissive tax exemptions.

Council reviewed these policies during the COTW meetings; however, the distribution of the property taxes among the property classes can be reviewed again during the first three readings of the financial plan bylaw and can also amend the financial plan policy prior to the readings of the tax rates bylaw in the spring of 2022. Council has the option to change the distribution of the taxes in any property class; however this will have an impact on the other property taxes and will also change how the property tax increase impacts the individual properties within each class.

The distribution in bylaw no. 1152 follows and is based on the 2021 revised assessment roll and distributes that tax increase equally between the seven different property classes in Cumberland:

<b>Property Class</b>	<b>% Total Property Tax</b>	<b>Dollar Value</b>
1. Residential	76%	2,734,830
2. Utilities	2%	68,581
3. Supportive Housing		
4. Major Industry		
5. Light Industry	3%	90,594
6. Business and Other	16%	577,442
7. Managed forest	3%	135,900
8. Recreation & Non Profit	0%	2,468
9. Farm	0%	5
<b>Total</b>	<b>100%</b>	<b>3,609,820</b>

The 2022 preview roll has now been received and while property assessment details are not yet known, the preview roll provides a high level report that shows the expected market assessment increases as well as what the assessments are for new properties. At this early stage, this roll is useful for analysis only and the actual tax rates will be calculated using the revised roll that isn't available until April 2022.

The preview roll currently shows that assessments in Cumberland are expected to increase significantly, particularly classes one (residential), five (light industry) and six (business and other).

## **Overview of Impacts Proposed**

Attachment one is an overview of relevant financial information including the proposed change in taxation revenue from 2021 to 2022. Attachment two provides rate payers with the impact that the proposed 2022-2026 Financial Plan is expected to have on an average single family household, an average strata condo unit, and a commercial property with a median assessed property value in Cumberland.

Please note that the 2022 final assessment values and the requisitions for the regional district services school tax, police tax, Municipal Finance Authority and BC Assessment rates for 2022 are still not available in the latter projection.

**Property Tax and Utility Rates Impact on an Average Single-family Household (Attachment 2)**

We expect that the impact of the total taxes payable as proposed in financial plan bylaw will result in a 5% increase to the average single-family household. The frontage tax rates included in the attached rate amendment bylaws will increase for the average single-family household by just over 7% (new growth projections increased this slightly see financial implications section). The parcel tax to pay for the water supply upgrades debt is \$45.09 per parcel and is expected to increase to \$66 per parcel upon refinancing in 2026 when interest rates return to pre COVID rates. The Utility Rates included in the attached rate amendment bylaws increases user fees for the average single-family household by just over 4%. Overall charges to an average single-family household increases 6% from 2021 to 2022.

Translated to dollars, currently proposed 2022 property taxes payable for municipal purposes, other taxing authorities, frontage and parcel taxes and utility fees are estimated to increase for an average single-family household by \$221 (\$18/month).

**Property Tax and Utility Rates Impact on an Average Family Strata Home (i.e. Condos) (Attachment 2)**

We expect that the impact of the total taxes payable as proposed in financial plan bylaw will result in a 5% increase to the average multi-family household. The frontage tax rate increases in the attached rate amendment bylaws will increase for the average multi-family household by just over 7% (new growth projections increased this slightly see financial implications section). The parcel tax to pay for the water supply upgrades debt is \$45.09 per parcel and is expected to increase to \$66 per parcel upon refinancing in 2026 when interest rates return to pre COVID rates. The Utility Rates included in the attached rate amendment bylaws increases user fees for the average multi-family household by just over 3% (updated water consumption reduced this slightly see financial implications section). Overall charges to an average multi-family household increases 6% from 2021 to 2022.

Translated to dollars, currently proposed 2022 property taxes payable for municipal purposes, other taxing authorities, frontage taxes and utility fees are estimated to increase for an average multi-family household by \$173 (\$14/month).

**Property Tax and Utility Rates Impact on a Commercial Property with a Median Assessed Value (Attachment 2)**

We expect that the impact of the total taxes payable as proposed in the financial plan bylaw will result in a 5% increase to a commercial property with a median assessed value. The frontage tax rate increases included in the attached rate amendment bylaws will increase for a commercial property by just over 7% (new growth projections increased this slightly see financial implications section). The parcel tax to pay for the water supply upgrades debt is \$45.09 per parcel and is expected to increase to \$66 per parcel upon refinancing in 2026 when interest rates return to pre COVID rates. The Utility Rates included in the attached rate amendment bylaws increases user fees for a commercial property by just over 3%. Overall charges to a commercial property with a median assessed value increases 5% from 2021 to 2022.

Translated to dollars, currently proposed 2022 property taxes payable for municipal purposes, other taxing authorities, frontage taxes and utility fees are estimated to increase for a commercial property with a median assessed value by \$375 (\$31/month).

## **Highlights of The Plan**

Attachment three to this report shows 2022 staffing requests. Attachments four and five to this report provide an overview of the five year capital and operating projects proposed in the financial plan over and above base annual operating budgets. Council will recognize the format from the Committee of the Whole meetings. All amendments made at those meetings are reflected in the Financial Plan Bylaw No. 1152.

The makeup of the utility rate structure used to calculate the rates in the attached utility rate amendment bylaws was introduced to Council in 2016 to be used to develop the 2017 and future utility and frontage parcel tax rates. It is a structure that increases utility rates to cover operating costs and increases frontage parcel taxes to cover annual capital underground infrastructure asset renewals over the years 2022 to 2026.

Further information and highlights of the proposed plan are outlined on the Village website at: <https://cumberland.ca/financial-plan/>.

## **ALTERNATIVES**

1. Council may make any changes to the Financial Plan and give first reading of the changed bylaw.
2. Council may make any changes to the Utility Rates and give readings of the changed bylaws.
3. Council may make any changes to the Frontage Tax Rates and give readings of the changed bylaws.
4. Council can direct staff to bring back further information before considering the bylaws.
5. Not proceed with any action at this time.

## **STRATEGIC OBJECTIVE**

- Healthy Community
- Quality Infrastructure Planning and Development
- Comprehensive Community Planning
- Economic Development

## **FINANCIAL IMPLICATIONS**

Proposed increase to municipal revenue for the municipality in 2022 from existing 2021 rate payers are:

- Municipal taxes is 5.39%
- Utility fees is 3.92%
- Frontage taxes is 7.56%.

The utility rates amendment bylaws attached for Council consideration are only for 2022 quarterly rates so that each year that follows, staff can reconfirm cost estimates and analyze water consumption. Water fees increase is just over 4%/ \$14 per year and sewer fees increase is under 1%/ \$2 per year. The big adjustment to the utility fees in 2022-2026 are the increases (just over

15%/\$17 per year) to solid waste collection fees for significant increases to collection and expected landfill costs. The water utility consumption fee for the multi-family units has decreased slightly from originally presented to Council based on updated water consumption data that increased for these properties from original estimates (original estimate of multi-family increase was \$34 per unit compared to new increase of \$28 per unit).

The water frontage tax increase is just under 6%/\$6 per year, sewer frontage tax increase is just over 7%/\$9 per year and storm frontage tax increase is just under 10%/\$9. The Frontage tax increases are slightly higher than originally presented to Council due to new information that indicates that growth in the number of parcels may be less originally estimated. Overall the frontage tax increase to a parcel with a 60 foot frontage is \$23.10 per year (original estimate was \$20.40).

The proposed taxes and utility revenue increases for the years 2022 to 2026 follows:

Revenue Source	2022	2023	2024	2025	2026
Property Taxation (\$)	\$184,520	\$239,815	\$183,215	\$248,565	\$233,475
Property Taxation (%)	5.39%	6.64%	4.76%	6.16%	5.45%
Utility Fees (\$)	\$107,920	\$100,370	\$96,890	\$95,420	\$107,800
Utility Fees (%)	6.01% *	5.27% *	4.84% *	4.54% *	4.91% *
Frontage Parcel Tax (\$)	\$44,600	\$46,000	\$47,600	\$51,230	\$39,250
Frontage Parcel Tax (%)	8.45% *	8.04% *	7.7% *	7.69% *	5.47% *
Estimated Parcel Tax for Water Supply Debt (\$)	\$77,330	\$77,720	\$78,100	\$78,500	\$112,290

\* Above utility and frontage parcel tax revenues includes growth and prior year adjustments, actual increases to existing rate payers each year will vary from the above revenue increases (see impact to the average rate payers above for this info)

## OPERATIONAL IMPLICATIONS

All of the strategic priorities, health and safety and maintenance requirements and Village initiatives that are included in the plan require all staff to carry out. The financial planning process itself is a group effort where all staff analyze their operating needs and budget requirements for those needs and finance staff incorporate those needs/requests into a financial planning package that goes through at least one management review, one individual budget manager, CAO and CFO review, a public feedback process and several Council reviews.

## ATTACHMENTS

1. Financial Position and Proposed Tax Revenue Increase
2. Property Tax Impact on Average Family Households and Commercial Properties
3. Proposed Staff Changes
4. Proposed Five Year Capital Projects
5. Proposed Five Year Operating Projects & Transfers To Reserve



6. 2022-2026 Financial Plan Bylaw No. 1152, 2021
7. Water Frontage Tax Amendment Bylaw No. 1159, 2021
8. Sewer Frontage Tax Amendment Bylaw No. 1156, 2021
9. Storm Frontage Tax Amendment Bylaw No. 1158, 2021
10. Water Rates Amendment Bylaw No. 1160, 2021
11. Sanitary Sewer Rates Amendment Bylaw No. 1155, 2021
12. Solid Waste Collection Fees Amendment Bylaw No. 1157, 2021

**CONCURRENCE**

None

Respectfully submitted,

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Michelle Mason  
Chief Financial Officer/Deputy CAO

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Clayton Postings  
Chief Administrative Officer